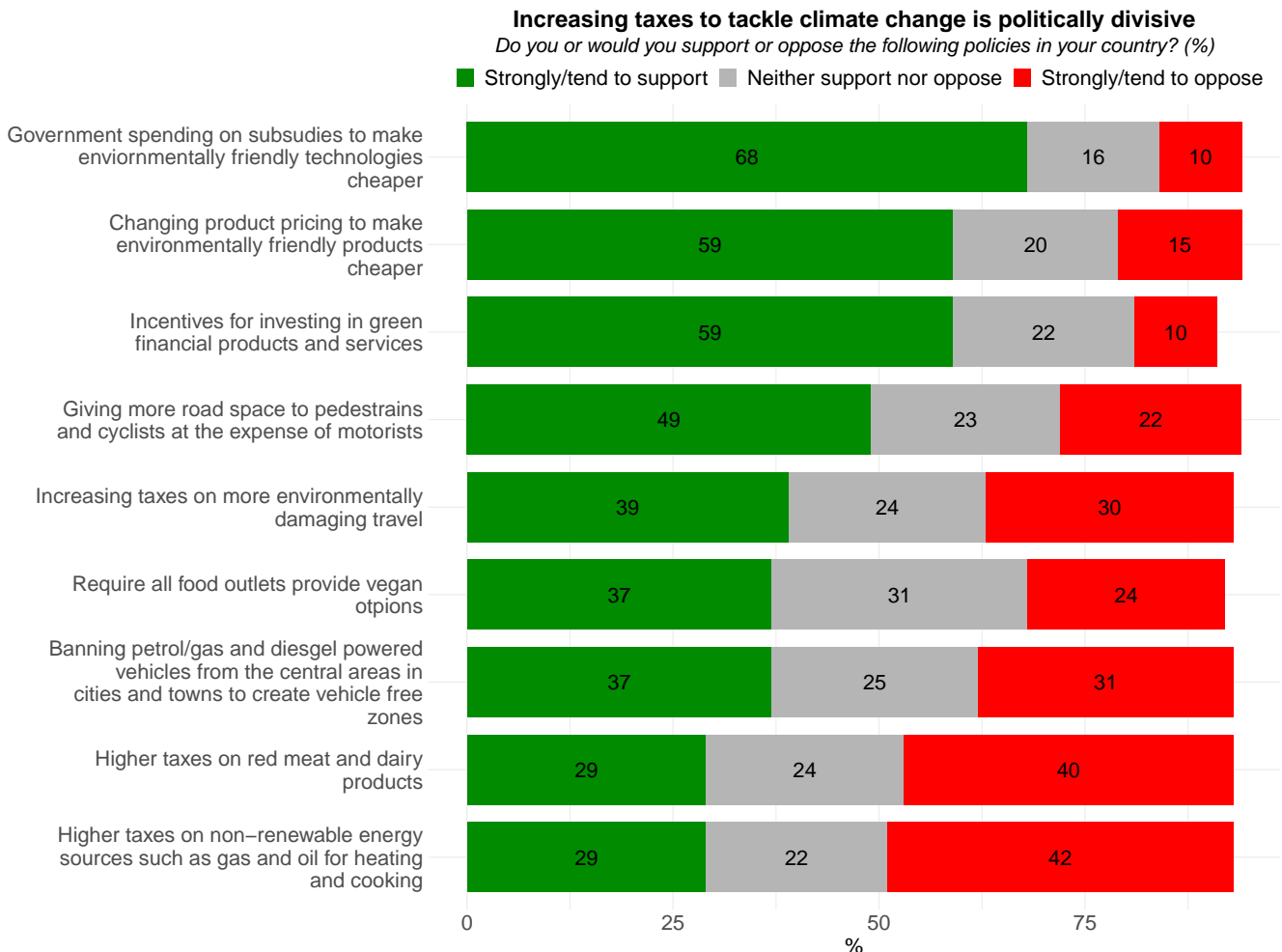


WEEKLY POLITICAL COMPASS

Midterm elections will be held in the **US**. **Chinese** health authorities have declined to announce re-opening policies. The presidential transition team in **Brazil** is trying to reconcile social spending with fiscal discipline. **ASEAN** leaders will gather in Phnom Penh. Long-standing tensions are escalating between **Serbia** and **Kosovo**. Meanwhile, the march to demand early elections in **Pakistan** will resume, an independent candidate holds an edge over her rival in the **Slovenian** presidential election, **Chile's** lower house votes in a new chamber president, and a truce has been brokered for **Ethiopia**.

CHART OF THE WEEK



Source: Ipsos. 22,528 online adults across 34 countries. Fieldwork: September 2022

COP27 takes place in Sharm El-Sheikh, Egypt this week, amid rising economic and geopolitical uncertainty. For the first time, the creation of a “loss and damage” fund, in which rich countries compensate the damage caused to the Global South by their carbon emissions, will be explicitly on the agenda. At the same time, however, the war in Ukraine has put into sharp relief the economic – and potentially political – costs associated with the green transition. A recent survey across

34 countries shows that citizens are supportive of government and financial initiatives that make green technologies cheaper. They are more divided, however, on whether higher taxes on environmentally damaging services (travelling) and consumption (meat, gas, oil) should be introduced. The difficult political economy of the energy transition will remain a source of uncertainty in the coming years.

WHAT TO WATCH

US

In the 8 November midterm elections, domestic politics will be front-and-center with a focus on hot button issues like the economy, abortion, crime, and immigration. In contrast, foreign policy had little-to-no airtime during the campaign. While foreign policy has accumulated considerably in the executive in recent decades, a Republican House could nevertheless sow important seeds of change. While any changes would be gradual, Congressional powers can have sizable influence on current US overseas dynamics from growing polarization in ties with China, to the Ukraine war, Iran, and tensions with the wider GCC. As the prospects grow for a hard landing, foreign policy that bolsters US economic objectives will likely take priority.

China

Health authorities declined to announce re-opening policies, dashing hopes – which had risen last on rumors about the formation of an – that the government was preparing a shift away from "dynamic zero." Health authorities did signal a willingness to continue fine-tuning the policy, but we maintain our forecast that full re-opening will begin sometime after the National People's Congress in March 2023.

Brazil

As roadblocks by pro-Bolsonaro truckers were being dismantled, the Lula transition team focused on solutions to reconcile social spending with fiscal discipline in 2023 last week. Two prominent orthodox economists who were involved in the creation of the Real in the 90s will be joining the team. Lula will be back from a short leave but is unlikely to make cabinet appointments. The transition team, headed by VP Geraldo Alckmin, supports a waiver that would allow social expenditures outside the spending cap until a new rule were negotiated with Congress. Lula has accepted an invitation by Egyptian president to take part in the COP27 and will do so starting on 14 November.

Southeast Asia

The Association of Southeast Asian Nations (ASEAN) annual leaders' summit opens in Phnom Penh on 10 November with Myanmar expected to be the top issue. ASEAN diplomats continue to provide ambiguous signals on the additional steps that the group may take to push the junta into cooperating with its five-point plan. The speculation includes a formal plan for engagement with the shadow national unity government and the expansion of the ban on Myanmar officials participating in ASEAN meetings beyond the ministerial level. The meetings will be followed by several bilateral ASEAN meetings with its dialogue partners and the East Asia Summit on 13 November.

Serbia/Kosovo

As anticipated, Kosovo's requirement for all its residents to hold local vehicle license plates is escalating long-standing tensions between Pristina and Belgrade. As of 1 November, vehicle owners with non-Kosovo plates are being issued written notifications and will be subject to fines starting 21 November. After 21 April 2023, Kosovo authorities intend to ban the entry or circulation of any vehicles with different license plates. Belgrade considers such demands illegal. In protest, over the past weekend, ethnic Serbs have pulled out from all of Kosovo's local and state institutions in four Serb-majority municipalities in northern Kosovo.

ON THE HORIZON

ASIA PACIFIC

Japan/South Korea

Prime Minister Fumio Kishida and President Yoon Suk-yeol appear to be preparing for a more substantive summit later this month. A meeting on the sidelines of one of the upcoming international gatherings in southeast Asia looks likely after Yoon met LDP vice-president Taro Aso last week. North Korea's recent activities have brought a fresh urgency to shared regional security concerns, though thorny history problems between Tokyo and Seoul will need to be addressed.

Pakistan

Although he will not be personally present, the march to demand early elections launched by former prime minister Imran Khan will resume on Tuesday (8 November) days after he was shot at and injured. The 70-year-old said he was recovering from his wounds and will join the march when the convoy reaches the city of Rawalpindi. Police and law enforcement agencies have declared the march illegal and have warned it will be stopped.

EUROPE

Greece

Prime Minister Kyriakos Mitsotakis is facing a new political storm after the publication of a long list of names of government officials, journalists and businesspeople targeted with malicious surveillance software. The new allegations suggest that the illegal wiretapping operation was much broader and systematic than had been thought until now. A coup against the PM from the ranks of his own New Democracy is unlikely. However, Mitsotakis could come under intense pressure if government-friendly media groups owned by businessmen who were targeted by the surveillance operation decides to change their stance.

Slovenia

Independent candidate Natasa Pirc Musar holds an edge over her rival Anze Logar (Slovenian Democratic Party, SDS) in the second-round runoff scheduled for 13 November. Although Pirc Musar came in second in the first round, she is likely to attract a significant share of center-left and independent voters, while Logar's chances of expanding his voter base beyond core SDS supporters are more limited. While the president's role in Slovenian politics is largely ceremonial, the outcome of the vote could be a barometer for the appeal of right-wing populist politicians relative to moderate independent candidates in Central and Eastern Europe (CEE).

LATIN AMERICA

Chile

The governing coalition faces a fresh test today, 7 November, as the lower house votes in a new chamber president. The fact that the candidate lined up for the role, Karol Cariola of the Communist Party (PC), withdrew last week after it became clear that she could not win enough support is already a sign of the coalition's divisions and difficulties. The governing coalition lacks majorities in both chambers. How the neophyte People's Party (PDG), which is not aligned with either major coalition, ends up voting may be crucial in deciding the outcome. If President Gabriel Boric's coalition loses the lower house presidency, the opposition Chile Vamos (CV) coalition and its allies would be well positioned to reconfigure legislative committees that are crucial to advancing legislation. That could represent a brake on Boric's reform agenda just as he tries to recover momentum with an overhaul of the pension system.

MIDDLE EAST AND AFRICA

Ethiopia

Last week, Addis Ababa and Tigrayan regional forces agreed to cease hostilities. The truce was brokered during talks in South Africa and has been celebrated as a breakthrough in the deadly and brutal conflict that began in November 2020. Nonetheless, durable peace still faces major obstacles, including the question of Eritrea's intervention in the conflict.

Ghana

In the latest sign of growing public frustration with President Nana Akufo-Addo's government, more than 1,000 protesters staged a peaceful protest in Accra on 5 November, calling for the president's resignation. The development follows the unprecedented move last week by 80 members of parliament (MPs) from the governing New Patriotic Party (NPP) calling on the president to sack Finance Minister Ken Ofori-Atta and his team, amid an economic crisis that has hammered the cedi and seen fuel and food costs spiral to record levels. The public response to the country's economic crisis will clearly ratchet up pressure on the government to reach a deal with the International Monetary Fund (IMF). However, the growing perception that debt restructuring will be on the cards as part of any agreement with the IMF – if true – could result in a delay agreement beyond the initial end-2022 indicated by the government.

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Macro Research
+44 20 7186 8894
Macro@teneo.com

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